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Department of State TELEGRAM

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CONTROL: 9216

RECD: 6-27-73 2:37AM

ACTION  
SANDERS

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THAYER

R 270041Z JUN 73  
FM SECSTATE WASHDC  
TO ALL DIPLOMATIC AND CONSULAR POSTS  
RUEHCR/USLO PEKING  
BT

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INFORM CONSULS

E. O. 11652 N/A

TAGS: ETRD, EAGR, XX

SUBJ: POSSIBLE LIMITATIONS ON EXPORTS OF SELECTED FOOD-  
STUFFS

REF: STATE 115785 (not read)

1. THE PRESENT TIGHT WORLDWIDE WHEAT, FEEDGRAIN AND SOYBEAN SITUATION IS LARGELY A DIRECT CONSEQUENCE OF THE BAD WEATHER THAT AFFECTED LARGE PARTS OF ASIA, AUSTRALIA AND EASTERN EUROPE IN 1971/72. IN THE USSR TOTAL GRAIN PRODUCTION FELL AN ESTIMATED 20 MILLION TONS, AND LARGE DECLINES OCCURRED ALSO IN THE HARVESTS OF OTHER MAJOR CROPS SUCH AS POTATOES AND OTHER ROOT CROPS. IN THE FAR EAST BAD WEATHER RESULTED IN ONE OF THE LOWEST RICE CROPS IN RECENT HISTORY, PROMPTING GREATER USE OF WHEAT, COARSE GRAINS AND OTHER ALTERNATIVE FOOD AND FEEDSTUFFS. THE SUPPLY OF A MAJOR WORLD SOURCE OF PROTEIN, PERUVIAN FISHMEAL, WAS ALSO SHARPLY REDUCED. THE AUSTRALIAN WHEAT CROP WAS DOWN 35 PERCENT.

2. THE RESULTING INCREASED IMPORT REQUIREMENTS CAUSED STOCKS IN EXPORTING COUNTRIES TO BE DRAWN DOWN TO THE LOWEST LEVELS IN MANY YEARS. AS OF JUNE 30 STOCKS WILL BE DOWN ABOUT 50 PERCENT FROM YEAR-AGO LEVELS FOR US WHEAT AND SOYBEANS, 15 PERCENT FOR US FEEDGRAINS, AND ABOUT 25 PERCENT FOR WHEAT FROM OTHER MAJOR EXPORTERS. COMPARED WITH A YEAR AGO, US PRICES OF NO. 2 YELLOW CORN, FOR EXAMPLE,

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A/ISS/IPS, Department of State  
E.O. 12958, as amended  
December 18, 2008

HAVE NEARLY DOUBLED, WHEAT IS TWO-THIRDS UP AND SOYBEANS HAVE TRIPLED. CURRENT PROSPECTS INDICATE THAT EVEN WITH GENERALLY NORMAL CROPS IN 1973 IN MAJOR PRODUCING COUNTRIES, WORLD SUPPLY AND DEMAND WILL BE APPROXIMATELY IN BALANCE.

3. WHILE IT IS TOO EARLY AT THIS TIME TO MAKE A RELIABLE FORECAST OF WORLD SUPPLY AND DEMAND, AT THIS POINT THE OUTLOOK APPEARS FAVORABLE. IN THE US, WE EXPECT THE LARGEST ONE-YEAR CROP PRODUCTION INCREASE IN HISTORY. DESPITE UNUSUAL WET SPRING WEATHER AND FLOODS IN THE UNITED STATES WHICH DELAYED PREPARATION FOR CORN AND SOYBEANS, PLANTINGS ARE LIKELY TO SET NEW RECORDS. A RECORD WHEAT CROP OF ALMOST 1.8 BILLION BUSHELS IS NEAR CERTAIN. ON THE OTHER HAND WE HAVE, AS NOTED ABOVE, LOW CARRYOVER STOCKS AND SUBSTANTIAL PRICE PRESSURE BECAUSE OF GROWING DEMAND. THE FOREIGN SITUATION IS UNCLEAR. CANADIAN, USSR AND WEST EUROPEAN CROP DEVELOPMENTS HAVE BEEN GENERALLY FAVORABLE IN RECENT WEEKS. SPRING CROPS IN INDIA ARE LOWER THAN EARLIER EXPECTED BUT MAY STILL BE RECORD. HOWEVER, AUSTRALIAN WHEAT PLANTINGS ARE SOMEWHAT UNCERTAIN AS YET, AND AMONG THE CRITICAL REMAINING FACTORS ARE 1) SOVIET SPRING-SOWN GRAINS, 2) ASIAN MONSOONS, 3) POSSIBLE UNFORESEEN NEEDS BY THE PEOPLE'S REPUBLIC OF CHINA, AND 4) POSSIBLE CHANGES IN WORLD-WIDE DEMAND, INCLUDING THE EFFECTS OF RISING INCOME AND ADJUSTMENT IN STOCKS.

4. TO RELIEVE THE PRESSURES ON SUPPLIES AND PRICES, THE UNITED STATES HAS UNDERTAKEN A NUMBER OF MEASURES. US FARM PROGRAMS FOR GRAINS WERE ADJUSTED SO THAT UP TO 42 MILLION ACRES OF LAND CAN BE BROUGHT BACK INTO PRODUCTION. AUTHORIZED RICE ACREAGE HAS BEEN INCREASED BY 20 PERCENT AND LIVESTOCK GRAZING HAS BEEN ALLOWED ON "SET-ASIDE" ACREAGE. GOVERNMENT STOCKS OF WHEAT AND FEEDGRAINS HAVE BEEN PLACED ON THE MARKET AND ALL DIRECT SUBSIDIES ON AGRICULTURAL EXPORTS HAVE BEEN SUSPENDED. CCC EXPORT CREDIT, BARTER PROGRAMS, PL 480 AND EX-IMBANK EXPORT FINANCING ARE ALSO BEING CURTAILED.

5. A US EXPORT SALES REPORTING SYSTEM HAS BEEN ESTABLISHED FOR WHEAT, RICE, CORN, BARLEY, SORGHUM, OATS, SOYBEANS AND SOYBEAN PRODUCTS, COTTONSEED AND COTTONSEED PRODUCTS, AND THEIR PRIMARY PRODUCTS USED IN FEEDS. THIS REPORTING SYSTEM WILL ENABLE THE US TO KEEP TRACK OF EXPORT COMMITMENTS. THE INFORMATION PROVIDED BY THIS SYSTEM, PLUS LATER ESTIMATES OF US PRODUCTION FOR THIS YEAR, WILL ALLOW A DETERMINATION TO BE MADE ABOUT THE NEED FOR EXPORT CONTROLS.

6. THE US CONTEMPLATES EXPORT CONTROLS WITH GREAT RELUCTANCE, SINCE SUCH CONTROLS ARE A STRONG ACTION THAT CONFLICT WITH OTHER NATIONAL OBJECTIVES, INCLUDING MOVEMENT TOWARD INCREASED LIBERALIZATION OF INTERNATIONAL

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TRADE AND IMPROVEMENT OF OUR BALANCE-OF-PAYMENTS SITUATION. HOWEVER, PRESENT US PRICES FOR GRAINS AND SOYBEANS ARE NOT CONSISTENT WITH THE RETAIL PRICE CEILINGS NOW IN EFFECT FOR SUCH PRODUCTS AS MEAT, POULTRY AND MILK. THIS SITUATION MUST BE REMEDIED, EITHER THROUGH CHANGES IN THE UNDERLYING SUPPLY/DEMAND SITUATION OR THROUGH ADJUSTMENTS IN PRICE CONTROLS.

7. IF CONTROLS BECOME NECESSARY, WE WOULD WANT TO DO WHATEVER WE CAN TO ASSURE THAT FOREIGN USERS ARE GIVEN AN EQUITABLE SHARE OF AVAILABLE SUPPLY. FURTHERMORE, ANY SYSTEM OF CONTROLS WHICH MIGHT BE IMPOSED WOULD BE TEMPORARY IN NATURE, REFLECTING THE TEMPORARY NATURE OF THE CURRENT WORLDWIDE FOODGRAIN AND FEEDGRAIN SHORTAGE. THUS, THIS MOVE DOES NOT AFFECT THE US POSTURE AND OBJECTIVES FOR THE FORTHCOMING MIN, WHERE WE WILL ATTEMPT TO ESTABLISH A FRAMEWORK FOR LIBERALIZED TRADE RELATIONS FOR MANY YEARS TO COME.

8. POSTS MAY DRAW ON ABOVE AS BACKGROUND IN DISCUSSIONS WITH HOST GOVERNMENTS. YOU SHOULD ALSO PROVIDE INFORMATION REQUESTED LAST PARA REFTL AS SOON AS POSSIBLE, BUT DO NOT DUPLICATE WHAT POSTS HAVE ALREADY REPORTED IN THE AGRICULTURAL SERIES.

ROGERS